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VIA ELECTRONIC FILING

Jocelyn Boyd, Esquire
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Request for Suspension of SCE&G and Piedmont Gas Hedging Programs
Docket No. _____

Dear Ms. Boyd:

As you are aware, both South Carolina Electric & Gas ("SCE&G") and Piedmont Natural Gas Company, Incorporated ("PNG" or collectively "the Companies") operate natural gas hedging programs. SCE&G operates its hedging program in accordance with approvals granted by the South Carolina Public Service Commission ("Commission") in Orders No. 2006-679 and 2007-595 as modified by Order No. 2008-546¹. The Commission most recently approved the continuation of the operation of SCE&G's hedging program for the current year in Order No. 2010-826 in Docket No. 2010-5-G. PNG's hedging program was first approved by the Commission in Commission Order No. 2002-223 and most recently reviewed and approved for continued operation by the Commission in Order No. 2010-4-G.

Based on the Office of Regulatory Staff's ("ORS") continued review of both SCE&G and PNG's hedging programs and the domestic natural gas market, ORS has determined that it is in the public interest for the Commission to Order the suspension of the Companies natural gas hedging programs.

ORS does not believe that the market conditions which led to the institution of the gas hedging programs,

¹ SCE&G began its approved hedging program when South Carolina Pipeline Corporation converted to an interstate pipeline and, in conjunction with that conversion, no longer maintained the hedging program that it had previously operated under Commission jurisdiction for over 10 years.

to mitigate the impact to customers of significant and unanticipated swings in the cost of natural gas to SCE&G and PNG's customers, still exist. Recent developments in domestic gas production and the correlating reduction in volatility in natural gas prices have eliminated much of the unpredictability which previously existed in the natural gas market. ORS does not, however, believe that a permanent elimination of these hedging programs is warranted as environmental concerns regarding shale gas production may eventually result in federally mandated restrictions on domestic production. Should such restrictions occur, the natural gas market may again be subject to price fluctuations caused by weather or an interruption in foreign supply. For that reason we believe that a suspension, as opposed to a permanent termination, of the SCE&G and PNG hedging programs is the prudent action at this time.

ORS, therefore, requests that the Commission Order the suspension of the SCE&G and PNG hedging programs effective upon the issuance of an Order by the Commission. The suspension shall continue until the Commission orders otherwise. If the Commission approves the request herein to suspend the SCE&G and PNG hedging programs, ORS would further request that the suspensions be made effective on the date of notice of the Commission decision to each Company to suspend its program. Thereafter, no new hedges would be purchased by either Company until further directive or order of the Commission. All existing hedges would continue to be managed consistent with each Company's approved hedging program and would be audited by ORS in each Company's succeeding PGA proceedings. Assuming existing hedges were purchased in accordance with the Commission approved program for each Company, all unrecovered costs of operating the programs and any unrecovered additions to the cost of gas would be permitted to be recovered by each Company through its costs of natural gas. Also consistent with previous Commission practice and precedent, any gains (not previously accounted for) from profitable hedges would be booked as subtractions to the costs of natural gas.

Should you require additional information or have any questions, please contact me at (803) 737-0823.

Yours Truly,


Jeffrey M. Nelson

cc: Chad Burgess, Esquire
Jim Jeffries, Esquire
Kenny Jackson
David Carpenter
John Flitter